

Federal Grants 101



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PUBLIC INSTRUCTION
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Types of Grants

Formula or Entitlement Grants

- Pre-determined amount of funding provided to eligible subrecipients to offset the local costs incurred when carrying out a federal requirement. These grants are typically non-competitive.

Discretionary or Competitive Grants

- Request for funding for a fixed period of time for a specific project. The funds are used to carry out goals and activities to support a public purpose with no legally binding requirement to achieve the result.



Allocation / Award Amount

Allocation

- The pre-determined formula or entitlement grant amount. The funding calculation is usually based on a set of factors such as student population and demographics.

Award Amount

- For discretionary or competitive grants, the funding amount is “awarded” to the subrecipient. This can be equal to or less than the originating request for funding.



Fiscal Agent

The agency receiving the federal award. The fiscal agent must adhere to all applicable grant rules and regulations. Any misuse of federal funds becomes the sole responsibility of the fiscal agent.



Consortium

Two or more agencies that join together to “share” a grant. One agency is the fiscal agent. The fiscal agent ensures that all of the funds are spent in accordance with the rules and regulations.



Third Party Grant Administrator

An agency that contracts with the fiscal agent to manage the grant. The third party grant administrator may perform all fiscal duties, but the fiscal agent is always the responsible party.



Federal Grant Assurances

An authorized position of the subrecipient (fiscal agent) must sign assurances prior to receiving the award. This is a promise made by the subrecipient that any federal funds received will be used in accordance with all rules and regulations.



Federal Subaward

The subaward is documentation that the fiscal agent has been awarded a certain amount of funds for a certain period of time.

Formula or Entitlement

- Subaward provided when application is submitted in substantially approvable form.

Discretionary or Competitive Grant

- Subaward is not provided until the grant application has been approved.



Allowable Costs

- **Uniform Grant Guidance**
- **Statutes**
- **Regulations**
- **DPI Rules**



Direct versus Indirect Costs

Direct Costs – “Project Costs”

- Federal grants fund specific activities related to meeting the goals of the project.
 - ❖ Title I teacher in a Title I targeted assistance school

Indirect Costs – “The Cost of Doing Business”

- Grant activities generate operational costs such as supervision and payroll, but are not directly related to conducting the grant activities..



Supplement / not Supplant

Basically, the philosophy is federal funds should be used for new or additional costs and not be used to reduce the amount the subrecipient was already spending on the program with local funds.



Supplement / not Supplant

Every federal program has a different approach to defining and testing supplement not supplant. Since the penalty for violating supplement not supplant usually involves the repayment of funds, it's important to know the rules for each grant.



Time & Effort Reporting

Tied to allowable costs. Most federal programs allow the subrecipient to charge personnel costs to a grant, but supporting documentation must be kept by the subrecipient to demonstrate that the amount charged to the grant reflects the actual time the person worked on the program.



Obligation and Liquidation

Obligation - Orders placed for property and services, contracts made, and similar transactions during a given period that require payment by the grantee during the same or a future period.

- ❖ The subrecipient cannot make a claim for costs until the property is received, service performed, or contract is fulfilled.



Obligation and Liquidation

Liquidation – Property is received, service performed or contract is fulfilled. The subrecipient can then submit a claim for reimbursement.



Obligation and Liquidation

Obligation – Contract with company to remodel a life skills room, contract is signed on 8/1/2017. Since the work has not been completed, so costs can be claimed at the point of this obligation.

Liquidation – Life skills room is remodeled, subrecipient approves the work on 10/15/2017. Claim for costs can be submitted.



Availability of Funds / Fiscal Year

Each grant has its own rules on availability of funds.

- Most entitlement grants under US DOE run 27 months
- Most discretionary grants are available for 12 months

Wisconsin has a fiscal year that runs July 1 to June 30, so entitlement grant funds are actually available for multiple fiscal years.



Carryover

To align with our state fiscal year, most grants “begin” on July 1 and “end” on June 30. Any unspent funds from one year are “carried” over into the new fiscal year and added onto new grant funds (in the case of formula).

Discretionary grant rules are different, and many times carry over is not a practice.



Tydings Amendment

For formula or entitlement funds, the reason the grant is available for 27 months (and not just 12) is because of the Tydings amendment. However, at the end of 27 months, funds not obligated and liquidated are no longer available to the subrecipient.



First In, First Out

Carryover and Tydings –

- The oldest grant funds are always paid out first.
- In order for a subrecipient to have Tydings issues, claim totals for 27 months would need to be less than the original allocation amount.



Single Audit

Subrecipient must have a federal single audit if they received more than \$750,000 in federal funds in a single fiscal year.

However, during a single audit, not all federal grants received by the subrecipient are audited.

